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MACROECONOMIC POLICY QUESTIONS: NET TRANSFER OF RESOURCES BETWEEN DEVELOPING AND DEVELOPED COUNTRIES

Draft resolution submitted by the Vice-Chairman of the Committee, Mr. Arjan P. Hamburger (Netherlands), on the basis of informal consultations held on draft resolution A/C.2/49/L.7

Net flows and transfer of resources between developing countries and developed countries

The General Assembly,

Reaffirming its resolutions S-18/3 of 1 May 1990, the annex to which contains the Declaration on International Economic Cooperation, in particular the Revitalization of Economic Growth and Development of the Developing Countries, and 45/199 of 21 December 1990, the annex to which contains the International Development Strategy for the Fourth United Nations Development Decade,

Recalling its resolutions 44/232 of 22 December 1989 on trends in the transfer of resources to and from the developing countries and their impact on the economic growth and sustained development of those countries, and 47/178 of 22 December 1992 on the net transfer of resources between developing countries and developed countries,

Recalling also its resolution 43/197 of 20 December 1988 and Agenda 21, 1/ adopted by the United Nations Conference on Environment and

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1/ Report of the United Nations Conference on Environment and Development, Rio de Janeiro, 3-14 June 1992 (United Nations publication, Sales No. E.93.I.8 and corrigenda), vol. I, Resolutions adopted by the Conference, resolution 1, annex II.

Development at Rio de Janeiro in June 1992, which address the fulfilment of the internationally agreed commitment for official development assistance,

Taking note of the World Economic and Social Survey, 1994, 2/ in particular chapter IV thereof, entitled "International resource transfers and financial development", and the report of the Secretary-General on the net transfer of resources between developing and developed countries, 3/

Recognizing that the international community has a responsibility to give strong support to the efforts of the developing countries to solve their grave economic and social problems through the creation of a favourable international economic environment,

Noting that capital flows to capital-importing developing countries have been increasing strongly and that the net transfer of resources to them has been positive for the past four years, reaching the highest level recorded so far, and noting also that the most dynamic components of this development were private short-term capital, including repatriation, and foreign direct investment,

Noting also that only a limited number of developing countries have benefited from the increase in the transfer of financial resources from developed countries,

Noting further that the future course of the net transfer of resources to developing countries depends on a growth-oriented supportive international economic environment and on sound domestic economic policies,

Noting that the resources needed to finance investment for development have benefited from a substantial increase in the export earnings in a considerable number of developing countries,

Noting with concern that developing countries have continued to experience a deterioration in their terms of trade which has reduced the resources available for their economic growth and development, and that, in this context, instability in the terms of trade is higher in those countries that depend on a few export commodities,

Stressing the unpredictable character of short-term private capital movements that are particularly subject to interest rate variations and other possible fluctuations in the domestic and international economic environment,

Noting that in the 1990s the net transfer of resources from the Bretton Woods institutions to developing countries has been negative in real terms although it has been positive to countries in Africa and to some countries in Asia, and noting further that the net transfer of regional banks taken together has been positive in the 1990s,

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2/ United Nations publication, Sales No. E.94.II.C.1 and corrigendum.

3/ A/49/309 and Corr.1.

Noting further the recent decline in the overall level of official development assistance,

Concerned about the persistent insufficiency of resources for most developing countries over the past decade for their sustained economic growth and sustainable development,

Recalling the successful outcome of the eighth session of the United Nations Conference on Trade and Development and the spirit of multilateralism that permeated the Conference, as reflected in its final document "A New Partnership for Development: The Cartagena Commitment", 4/

Noting that the historic achievement represented by the conclusion of the Uruguay Round of multilateral trade negotiations is expected to strengthen the world economy and lead to more trade investment, employment and income growth throughout the world,

Welcoming the tenth replenishment of the International Development Association, although it did not result in an increase in commitments compared to the ninth replenishment,

Bearing in mind that all countries, particularly the major industrialized countries, which have significant weight in influencing world economic growth and the international economic environment, should continue their efforts to promote sustained economic growth and sustainable development and narrow imbalances and to cooperate with the developing countries so as to enhance the ability of the developing countries to address and alleviate their major problems in the areas of money, finance, resource flows, trade, commodities and external indebtedness,

Noting that the outcome of the Summit of the group of seven major industrialized countries, held at Naples, Italy, in July 1994, 5/ and the annual meetings of the Bretton Woods institutions in Madrid in October 1994, recognized the need for private and official resource flows to developing countries,

1. Stresses the need to increase efforts to ensure the flow of substantial resources for sustained economic growth and sustainable development in the developing countries, taking into account the following:

(a) That the developed countries consider increasing financial flows to developing countries in order to assist them in their diversification and structural adjustment efforts and to facilitate their sustained economic growth and sustainable development through, inter alia, an expansion of multilateral

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4/ Proceedings of the United Nations Conference on Trade and Development, Eighth Session, Cartagena de Indias, Colombia, 8-25 February 1992, Report and Annexes (United Nations publication, Sales No. E.93.II.D.5), part one, sect. A.

5/ A/49/228-S/1994/827, annex I.

credits, promoting foreign direct investment and increasing concessional and non-debt resources;

(b) That Governments of the developed countries and other countries in a position to do so, promote an adequate flow of resources to developing countries; that developed countries that have reaffirmed their commitment to reach the accepted United Nations target of 0.7 per cent of gross national product for official development assistance, to the extent that they have not yet achieved that target, agree to augment their aid programmes in order to reach that target as soon as possible; and that substantial new and additional funding for sustainable development and the implementation of Agenda 21 be required;

(c) That, to increase the effectiveness of development assistance, developed and developing countries should strive towards a true partnership, which includes, inter alia, ownership and broad-based participation in recipient countries, implementation of domestic economic policies tailored to local conditions, efficient administration, transparent institutions and strong institutional capacities, including at the local level;

(d) That in many developing countries, where the burden of debt and debt service constitutes a major obstacle to the revitalization of growth and development, there is a need for further progress towards alleviating the external debt burden of these countries;

(e) That all countries should undertake, in accordance with their specific situations, efforts at the national level to implement structural adjustment policies and reforms conducive to the flow of external resources, including relevant laws to promote foreign private capital investment and an open framework for international trade;

(f) That Governments should fully implement the Uruguay Round agreements, including the specific provisions for developing countries included in the Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, 6/ signed at the Marrakesh Ministerial Meeting of the Trade Negotiations Committee on 15 April 1994, and support an open, free, equitable, non-discriminatory and rule-based multilateral trading system that improves access to the markets of all countries, in particular access for the exports of developing countries in order to ensure their sustained economic growth and sustainable development;

(g) That producers and consumers of individual commodities continue to explore ways and means of reinforcing their cooperation and consider actively participating in international commodity agreements and arrangements that take into account market trends in order to achieve more efficient international commodity cooperation;

6/ Legal Instruments Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakesh on 15 April 1994, vol. 1.

(h) That developing countries should continue to strengthen their efforts in the area of vertical and horizontal diversification in order to enlarge their export bases and, in this context, assistance be provided to them to enable those countries that have not yet reached this stage to create the conditions appropriate to attract foreign capital;

(i) That all Governments, particularly those of the developed countries, cooperate more closely in order to promote an international financial system which is more conducive to stable and sustained economic growth through, inter alia, a higher degree of stability in financial markets, reducing the risk of financial crisis, improving the stability of exchange rates, stabilizing and striving for low real interest rates in the long run and reducing uncertainties of financial flows;

(j) That appropriate measures be taken by all Governments, particularly those of the developed countries, to create a conducive international economic environment;

(k) That all Governments, particularly those of the developed countries, should strive for multilateral surveillance aimed at correcting existing external and fiscal imbalances so as to expand multilateral trade and foreign investment, particularly to the developing countries, and in this context, more effective participation by developing countries should be encouraged;

(l) That consideration should be given to ways of effective coordination of macroeconomic policies in competent, broad-based multilateral forums;

(m) That consideration should be given by the international community to ways of dealing with, as appropriate, and in cooperation with national Governments, the possible negative effects of sudden outflows of private capital from developing countries on their development programmes;

2. Requests the Secretary-General to continue to monitor developments in the net flows and transfer of resources between developing and developed countries and utilize all relevant reports, such as those provided by the World Bank, the International Monetary Fund and the regional banks, and to report thereon in the World Economic and Social Survey, 1995; and also requests the Secretary-General to report to the General Assembly at its fifty-first session on the implementation of the present resolution.